

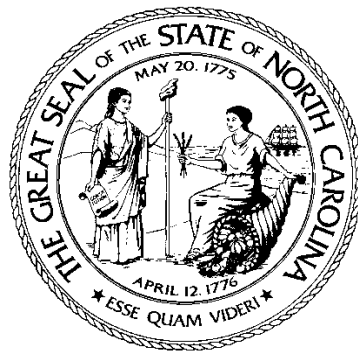
# TAX CREDITS FOR GROWING BUSINESSES ACT

## 2015 REPORT

June 1, 2015

State of North Carolina  
Department of Commerce  
Labor & Economic Analysis Division

Secretary John E. Skvarla, III



# INTRODUCTION

As required by G.S. 105-129.82, this report analyzes the Article 3J tax credit program, describes the development tier designation factors, analyzes the Department of Commerce's business expansion-related and recruitment efforts, and identifies the use of incentives in other states.

The report contains two major components required by statute: an Equity Study and an Impact Study. The Equity Study reviews:

1. The tier designation formula, including alternative measures for more equitable treatment of counties in similar economic circumstances;
2. Tier assignments and whether the applicable thresholds are equitable for smaller counties; and
3. Data on whether expanding North Carolina businesses receive fewer benefits than out-of-state businesses that locate to North Carolina.

The Impact Study analyzes:

1. Distribution of Article 3J tax credits across new and expanding businesses
2. Direct costs and benefits of the Article 3J tax credits;
3. Department of Commerce's assigned and announced business recruitment and expansion-related activities since 2005 by county, industry, investment, and job; and
4. Use of incentives by other states.

This report assesses annual reports from Process Years (PY) 2013 and 2014 by the North Carolina Department of Revenue and announced business recruitment and expansion-related data from the Department of Commerce's former Business and Industry Division. The data covers the two-year period since the previous biennial report.

G.S. 105-129.82(a) *repealed the Article effective for business activities that occur on or after January 1, 2014*, however credits may be generated and taken for qualified business activities that occurred before January 1, 2014.

## ARTICLE 3J TAX CREDITS FOR GROWING BUSINESSES: PROGRAM OVERVIEW

The Article 3J Tax Credits for Growing Businesses program went into effect on January 1, 2007 and was allowed to sunset for business activity on or after January 1, 2014. Tax credits are awarded to eligible taxpayers that undertake qualifying activities in North Carolina: job creation; investment in business property; and investment in real property. Additional tax credits may be earned for projects in Urban Progress and Agrarian Growth Zones.<sup>1</sup> These credits may be combined to offset up to 50 percent of the taxpayer's state income, franchise, or gross premium tax liability.

The following is a brief summary of the Article 3J program's eligibility requirements and eligible activities, tier assignments, and Urban Progress and Agrarian Growth Zones.

### Eligibility

To qualify for Article 3J Credits, the following eligibility requirements must be met:

1. The primary activity at the business establishment must be one of the following:
  - a) aircraft maintenance and repair;

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<sup>1</sup> Municipalities with a population of at least 10,000 have the ability to define qualifying areas of poverty as Urban Progress Zones. Counties that do not have a municipality with a population of at least 10,000, have the ability to define qualifying areas of poverty as Agrarian Growth Zones. Projects located within these zones receive enhanced Article 3J Credits.

- b) air courier services hub;
  - c) company headquarters that creates at least 75 new headquarters jobs;
  - d) customer service call centers;
  - e) electronic shopping and mail order houses;
  - f) information technology and services;
  - g) manufacturing;
  - h) motorsports facilities and motorsports racing teams;
  - i) research and development; and
  - j) warehousing and wholesale trade.
2. The average wage of all full-time workers employed by the taxpayer at the establishment during the taxable year must meet or exceed the applicable wage standard of the county in which the establishment is located. There is no wage standard in Tier 1 counties.
  3. The taxpayer must offer qualifying health insurance for all full-time positions at the establishment and pay at least 50 percent of employee premiums.
  4. The taxpayer certifies that, at the time the taxpayer claims the credit, there has not been a final determination unfavorable to the taxpayer with respect to an environmental disqualifying event.
  5. The taxpayer certifies that, as of the time the taxpayer claims the credit at the establishment with respect to which the credit is claimed, the taxpayer has no citations under the Occupational Safety and Health Act that have become a final order within the past three years for willful serious violations or for failing to abate serious violations.
  6. The taxpayer may not have overdue taxes.

### **County Tier Designations**

General Statute 143B-437.08 requires that the Department of Commerce annually rank the state's 100 counties based on economic well-being and assign a tier designation to each. The development factor is based on 12-month average unemployment rate, median household income, 36-month population growth rate, and per capita adjusted assessed property value. These tier designations affect the financial value of the Article 3J tax credits.

The 40 most distressed counties are designated as Tier 1, the next 40 are Tier 2, and the 20 least distressed are Tier 3. There are several caveats in the statute that affect tier designation. Any county that has a population of fewer than 12,000 people is automatically designated as a Tier 1 county. Any county with a population of fewer than 50,000 is automatically ranked one of the 80 most distressed counties. Any county with a population fewer than 50,000 people, and with more than 19 percent of its population below the federal poverty level, according to the most recent Federal decennial census, is automatically designated a Tier 1 county. Any county designated as a development Tier 1 area is automatically ranked one of the 40 most distressed counties until it has been a development Tier 1 area for at least two consecutive years.

### ***Urban Progress Zones (UPZ) and Agrarian Growth Zones (AGZ)***

As part of North Carolina's Article 3J tax credits program, the Agrarian Growth Zone and the Urban Progress Zones provide economic incentives to stimulate new investment and job creation in economically distressed areas. Municipalities with a population of at least 10,000 have the ability to define qualifying areas of poverty as Urban Progress Zones (G.S. 143B-437.09). Counties that do not have a municipality with a population of at least 10,000 have the ability to define qualifying areas of poverty as Agrarian Growth Zones (G.S. 143B-437.010). Business development projects located within these zones receive enhanced Article 3J credits.

### **Credit for Creating Jobs**

Eligible taxpayers that meet a minimum threshold of new full-time jobs created during the taxable year may claim a credit for each new job created. The credit is taken in equal installments over four years following the year the jobs are created. The job threshold and the credit amount per job are determined by the tier

designation of the county in which the jobs are created. When jobs are created in Urban Progress Zones or Agrarian Growth Zones, the credit is increased by \$1,000. If a resident of a zone or a long-term unemployed person<sup>2</sup> is hired, the company is eligible for an additional \$2,000 credit.

**Table 1. Article 3J Job Creation Tax Credit Tier Designations**

	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>UPZ / AGZ</b>
<b>Job Threshold</b>	5	10	15	5
<b>Credit per Job</b>	\$12,500	\$5,000	\$750	+ \$1,000

#### **Credit for Investing in Business Property**

Eligible taxpayers may claim a credit based on a percentage of the cost of capitalized business property that is placed in service during the taxable year in excess of an applicable threshold. This credit is taken in equal installments over four years beginning the year after the property is first placed in service. The credit percentage and threshold are based on the tier designation of the county where the property is placed in service.

**Table 2. County Tier Designation and Investment Threshold for Business Property Tax Credit**

	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>UPZ / AGZ</b>
<b>Threshold</b>	\$0	\$1 million	\$2 million	\$0
<b>Credit %</b>	7%	5%	3.5%	7%

#### **Credit for Investment in Real Property**

Eligible taxpayers that invest at least \$10 million in real property within a three-year period and create at least 200 new jobs within two years at an establishment located in a Tier 1 county are allowed a credit equal to 30 percent of the eligible real property investment. This credit is taken in equal installments over seven years beginning the year after the property is used by an eligible business. To qualify for this credit, the taxpayer must obtain a written determination from the Department of Commerce.

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<sup>2</sup> A long-term unemployed worker is an individual who has been totally unemployed for at least the preceding 26 consecutive weeks as defined by the N.C. Department of Commerce, Division of Employment Security.

# EQUITY STUDY

G.S. 105-129.82(b) directs the Department of Commerce to study the reexamine the formula in G.S. 143B-437.08 used to define development tiers and to consider alternative measures for more equitable treatment of counties in similar economic circumstances, as well as to consider whether the assignment of tiers and applicable thresholds are equitable for smaller counties.

## TIER DESIGNATION CRITERIA

Each November, the Department of Commerce must release updated county tier designations for the following calendar year. These rankings are based on economic criteria specifically required by the statute.

G.S. 143B-437.08 defines the *“Development Factor” as the sum of rankings across four economic criteria:*

1. **12-Month Average Unemployment Rate** – Counties are ranked by average rate of unemployment from lowest to highest for the most recent 12 months for which data are available.
2. **Median Household Income** – Counties are ranked by median household income from highest to lowest for the most recent 12 months for which data are available.
3. **36-Month Population Growth Rates** – Counties are ranked by percentage growth in population from highest to lowest for the most recent 36 months for which data are available. For the purposes of this section, population statistics do not include people incarcerated in federal or state prisons.
4. **Per Capita Adjusted Assessed Property Value** – Counties are ranked by adjusted assessed property value per capita as published by the Department of Public Instruction, from highest to lowest, for the most recent taxable year.

The most recent tier designations, in addition to the data used for each economic criterion and a discussion of county changes from the previous year are available at the Department of Commerce’s website.<sup>3</sup>

## REEXAMINATION OF TIER FORMULA AND ALTERNATIVE MEASURES

In response to Section 15.10B of S.L. 2014-100, the Department of Commerce studied factors that could be used to adjust a county's development tier designation regardless of the county's actual development factor assigned under G.S. 143B-437.08(b). The adjustment factors considered include events or occurrences that negatively impact a county's rate of unemployment, median household income, percentage growth in population, and assessed value per capita. The Department also considered aligning the State's development tier designations with the U.S. Housing and Urban Development entitlement designations. This study was provided to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. A copy of the study is attached to this report.

## DISTRIBUTION OF ARTICLE 3J TAX INCENTIVES ACROSS NEW AND EXISTING BUSINESSES

G.S. 105-129.82(b) also asks the Department of Commerce to compile any available data on whether expanding North Carolina businesses receive fewer benefits under Article 3J than out-of-state businesses that locate to North Carolina.

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<sup>3</sup> See <http://www.nccommerce.com/research-publications/incentive-reports/county-tier-designations>. PDF version available at <http://www.nccommerce.com/Portals/0/Incentives/CountyTier/2015%20Development%20Tier%20Rankings.pdf>.

Article 3J tax credits are awarded to North Carolina companies based on their hiring and investment decisions. The tax forms necessary to claim Article 3J tax credits do not collect information on whether a business is new to North Carolina or expanding within the state. Any company meeting the specific program eligibility criteria may apply for the tax credits.

The N.C. Department of Commerce does collect information on new and expanding businesses for its economic development projects, which is available in the following section.

# IMPACT STUDY

## DISTRIBUTION OF ARTICLE 3J TAX INCENTIVES ACROSS NEW AND EXISTING BUSINESSES

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The N.C. Department of Commerce does collect information on new and expanding businesses for its economic development projects, which is available in the following section.

## DIRECT COSTS AND BENEFITS OF ARTICLE 3J

This section provides an overview of the jobs and investment created and credits generated by the Article 3J Tax Credits for Growing Businesses Program. The N.C. Department of Revenue produces annual reports of credits generated and credits taken based on tax returns from PY 2013 and PY 2014.<sup>4</sup>

The summary information provided here is not intended to be a comprehensive cost-benefit analysis as only direct costs and benefits are described. A summary of the dollar value of credits generated and taken by qualifying activity is presented, as well as the associated jobs and investment created. While Article 3J is not entirely or solely responsible for these impacts, economic development tools such as Article 3J tax credits can incentivize business expansion and recruitment.

### Summary of Credits and Benefits by Qualifying Activity

Over the two year period of PY 2013 and PY 2014, Article 3J tax credits are associated with the creation of 17,010 jobs, over \$5.8 billion in business property investment<sup>5</sup>, and \$42.1 million in real property investment. This activity generated \$393.9 million in tax credits for eligible taxpayers. During this time period a total of \$103.6 million of credits were taken for previously generated credits.

There is an important distinction between credits generated and credits taken. Credits are generated based on taxpayers' hiring and investment activity during a specific reporting period. Credits taken are the amount that taxpayers actually use based on credits generated in previous years. The amounts taken will depend on each taxpayer's tax liability, required installment schedules, and potential carryforwards. The Article 3J tax credits limit credits taken each year to 50 percent of the amount of tax against which it is claimed, reduced by the sum of all other tax credits allowed against that tax. In addition, credits for job creation and business property investment must be taken in equal installments over four years while credits for investing in real property must be taken in equal installments over seven years provided the taxpayer has sufficient tax liability to take the full amount of the installment. Unused credits may be carried forward for five years in the case of job creation and business investment credits, and for up to fifteen years for real property investment credits.

### Credit for Creating Jobs

During PY 2013 and PY 2014, a total of 17,010 jobs were created by companies that applied for Article 3J tax credits, generating \$75.7 million in tax credits for businesses. The majority of credits were generated in those counties identified as most distressed—Tier 1 counties. Job creation activity in Tier 2 counties generated \$20.9 million in credits. Tier 3 counties generated \$9.1 million in tax credits.

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<sup>4</sup> Available in full at <http://www.dor.state.nc.us/publications/incentives/2013/> and <http://www.dor.state.nc.us/publications/incentives/2014/>

<sup>5</sup> In excess of applicable thresholds as described in Table 2.

**Table 3. Article 3J Jobs Created and Credits Generated by Tier Designation**

County Tier	PY 2013		PY 2014		Total	
	Jobs Created	Credits Generated	Jobs Created	Credits Generated	Jobs Created	Credits Generated
<b>1</b>	2,645	\$33,108,500	1,068	\$12,680,500	3,713	\$45,789,000
<b>2</b>	2,716	\$13,969,000	1,376	\$6,905,250	4,092	\$20,874,250
<b>3</b>	5,542	\$4,760,313	3,663	\$4,326,250	9,205	\$9,086,563
	<b>10,903</b>	<b>\$51,837,813</b>	<b>6,107</b>	<b>\$23,912,000</b>	<b>17,010</b>	<b>\$75,749,813</b>

Source: N.C. Department of Revenue

#### **Credit for Investing in Business Property**

For the two years that data are available (PY 2013 and PY 2014), over \$5.8 billion was invested in business property related to Article 3J tax credits in excess of the applicable threshold amounts. During this period, over \$1.6 billion was invested in Tier 1 counties. In Tier 2 counties, businesses investment totaled \$1.3 billion, and Tier 3 counties accounted for \$2.9 billion of business investment.

The \$5.8 billion of investment generated \$305.5 million in tax credits for businesses. Tier 3 counties generated \$126 million, followed by Tier 1 counties with \$113.6 million in credits. Tier 2 counties accounted for the remaining \$65.9 million in tax credits.

**Table 4. Article 3J Investment in Business Property and Credits Generated by Tier Designation**

County Tier	PY 2013		PY 2014		Total	
	Investment	Credits Generated	Investment	Credits Generated	Investment	Credits Generated
<b>1</b>	\$1,448,005,739	\$101,360,406	\$174,579,973	\$12,220,596	\$1,622,585,712	\$113,581,002
<b>2</b>	\$393,726,391	\$21,734,803	\$863,917,796	\$44,123,607	\$1,257,644,187	\$65,858,410
<b>3</b>	\$2,243,917,212	\$91,278,088	\$688,563,163	\$34,759,263	\$2,932,480,375	\$126,037,351
	<b>\$4,085,649,342</b>	<b>\$214,373,297</b>	<b>\$1,727,060,932</b>	<b>\$91,103,466</b>	<b>\$5,812,710,274</b>	<b>\$305,476,763</b>

Source: N.C. Department of Revenue

#### **Credit for Investing in Real Property**

Only large investments in Tier 1 counties are eligible for the credit for investing in real property. The taxpayer must purchase and use at least \$10 million of real property in an eligible business within a three-year period and create at least 200 new jobs within two years of the time the property is first used. The tax credit is 30 percent of the total investment amount and is claimed over a seven year period.

In PY 2013, \$42.1 million of eligible investment in real property was made in Tier 1 counties, generating \$12.6 million in credits. No credits were generated in PY 2014.

#### **Article 3J Credits Taken**

Credits taken represent only that amount which a particular taxpayer may take in a given tax year based on tax liability, required installment schedules, and potential carryforwards. Article 3J limits credits taken each year to 50 percent of the amount of tax against which it is claimed, reduced by the sum of all other tax credits allowed against that tax. In addition, credits for job creation and business property investment must be taken in equal



installments over four years while credits for investing in real property must be taken in equal installments over seven years provided the taxpayer has sufficient tax liability to take the full amount of the installment. Unused credits may be carried forward for five years in the case of job creation and business investment credits, and for up to fifteen years for real property investment credits.

During PY 2013 and PY 2014, a total of \$103,556,147 was taken in credits.

**Table 5. Value of Article 3J Credits Taken**

<b>Year</b>	<b>Job Creation</b>	<b>Business Property Investment</b>	<b>Real Property Investment</b>	<b>Totals</b>
PY 2013	\$13,382,285	\$46,710,024	\$709,312	\$60,801,621
PY 2014	\$11,215,224	\$31,509,216	\$30,086	\$42,754,526
<b>Totals</b>	<b>\$24,597,509</b>	<b>\$78,219,240</b>	<b>\$739,398</b>	<b>\$103,556,147</b>

**Source:** N.C. Department of Revenue

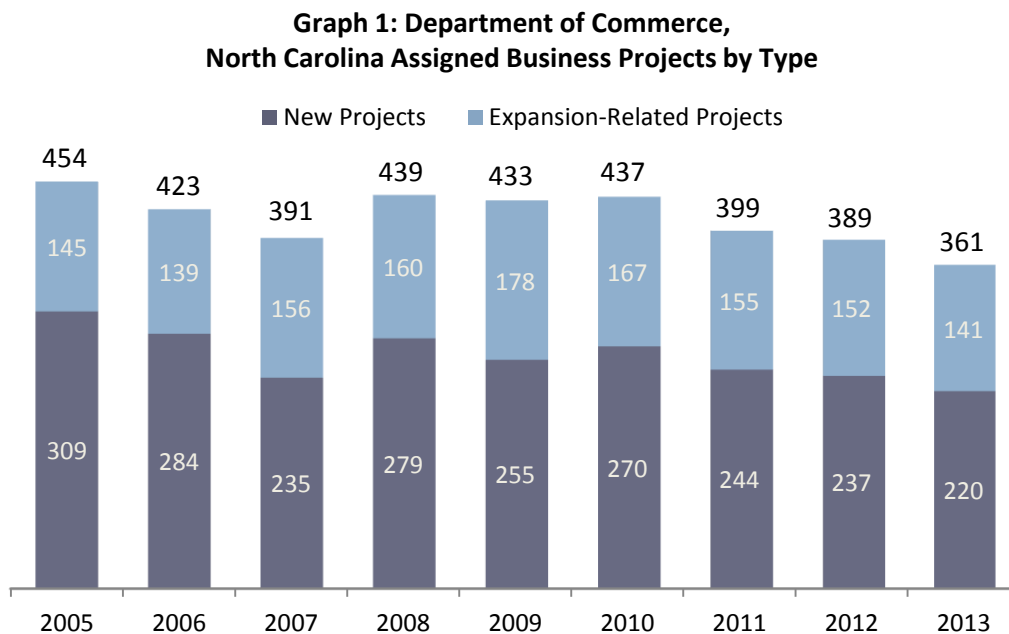
## BUSINESS RECRUITMENT AND EXPANSION-RELATED ACTIVITIES SINCE 2005

This section assesses the Department of Commerce’s assigned and announced business recruitment and expansion-related activities for 2005 through 2013 by county, industry type, investment, and job creation.<sup>6</sup> The following review of economic development activities — which is broader than Article 3J tax credit activity — encompasses projects and companies tracked by the Department of Commerce’s former Business and Industry Division.

The Department of Commerce measures business recruitment and expansion-related activities in two ways. The first method tracks the number of projects assigned to business developers in any given year. Since business developers often work on individual projects for several years, the number of projects assigned annually is only a portion of their total activity. The second method tabulates announced capital investment and job creation for new and existing businesses.

### Assigned Business Development Projects

Since 2007, North Carolina has assigned an average of 414 new and expansion projects per year (Graph 1) to its business and industry developers. A project is designated as “new” if the business does not currently have any operations in North Carolina. An “expansion-related” project is defined as growth in workforce (including job retention) or investment at an existing company in the State. Companies new to North Carolina make up over half of all projects assigned.



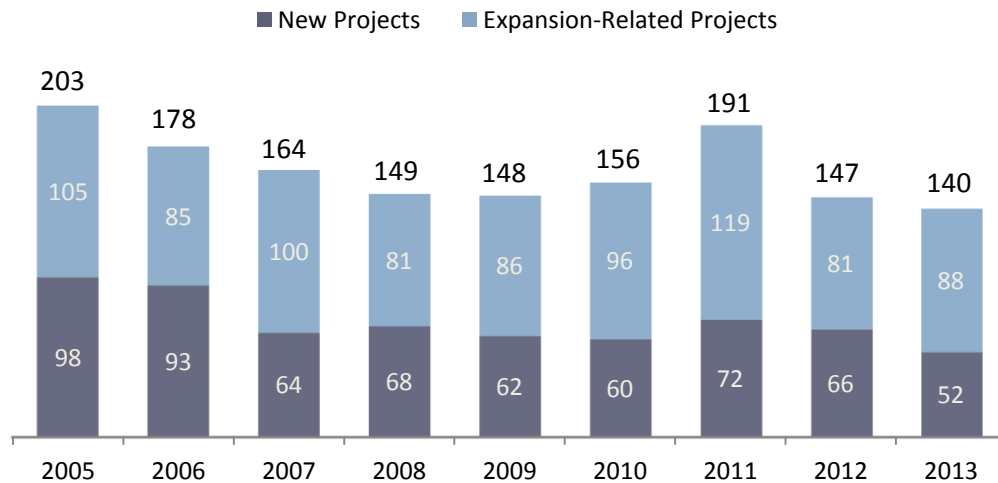
**Source:** North Carolina Department of Commerce

<sup>6</sup> Due to the transition of business recruitment activities from the Department of Commerce to the Economic Development Partnership of North Carolina near the end of 2014, 2013 is the most recent full year for which this data is available.

### Announced Business Development Projects

In 2013, the Department of Commerce announced 140 business projects (Graph 2). Of these announcements, 63 percent were expansions of existing businesses. Apart from 2006, expansion-related projects have consistently accounted for the majority of project announcements.

**Graph 2: Department of Commerce,  
North Carolina Announced Business Projects by Type**



Source: North Carolina Department of Commerce

Announced business investment in 2013 totaled \$2.80 billion (Graph 3). 2012 represented the third highest investment over the past eight years. In most years since 2005, expansion-related projects within existing companies have been responsible for the majority of announced investment. This was again true in 2013.

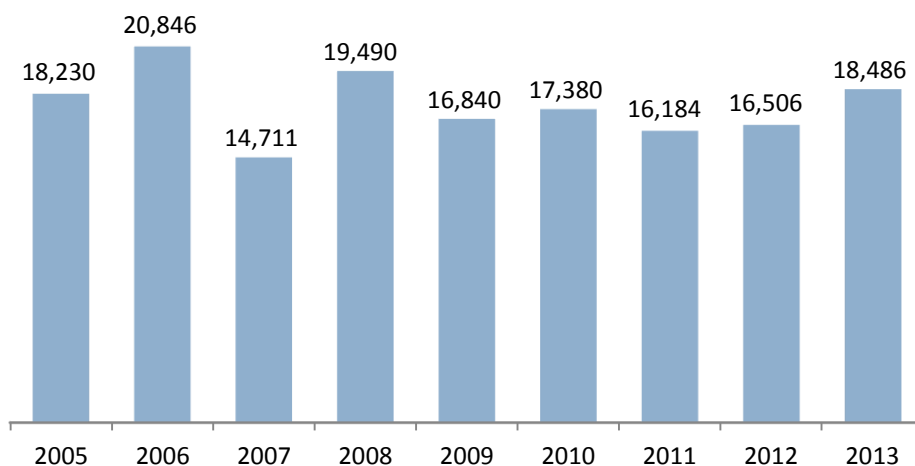
**Graph 3: Department of Commerce,  
North Carolina Announced Business Investment by Year (\$ billions)**



Source: North Carolina Department of Commerce

The low point of job creation announcements in recent years was in 2007 – at the onset of the recession. Projects from 2009 to 2012 produced fairly consistent numbers – with an average of 16,700 announced jobs per year – but fewer than in the years leading up to economic crisis. More jobs were announced in 2013 than in any year since 2008. Over the past three years, the total number of new jobs announced were evenly divided between new and expanding firms.

**Graph 4: Department of Commerce,  
North Carolina Total Announced Jobs by Year**



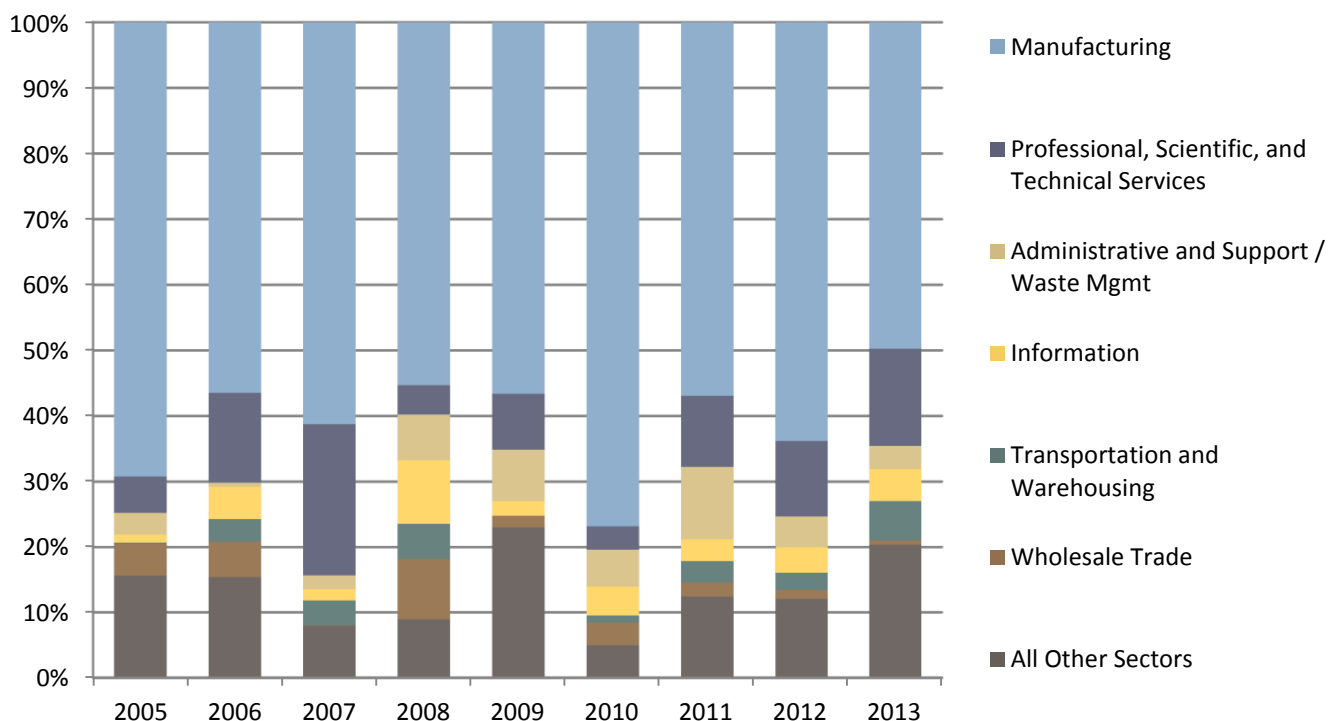
**Source:** North Carolina Department of Commerce

### Announced Investment and Jobs by Industry

Manufacturing constitutes the largest share of business recruitment and expansion projects in North Carolina since 2005. From 2005 through 2013, manufacturing accounted for 72 percent of the announced investment and 61 percent of the announced new jobs under projects led by the Department of Commerce. Between 2005 and 2013, the following sectors have also been significant contributors to announced investments: Information (9%); Professional, Scientific, & Technical Services (5%); Wholesale Trade (3%); and Transportation & Warehousing (3%). Over the same time horizon, the following industries contributed to announced job creation: Professional, Scientific, & Technical Services (10%); Administrative & Support & Waste Management (5%); Finance & Insurance (5%); Information (4%); and Wholesale Trade (3%).

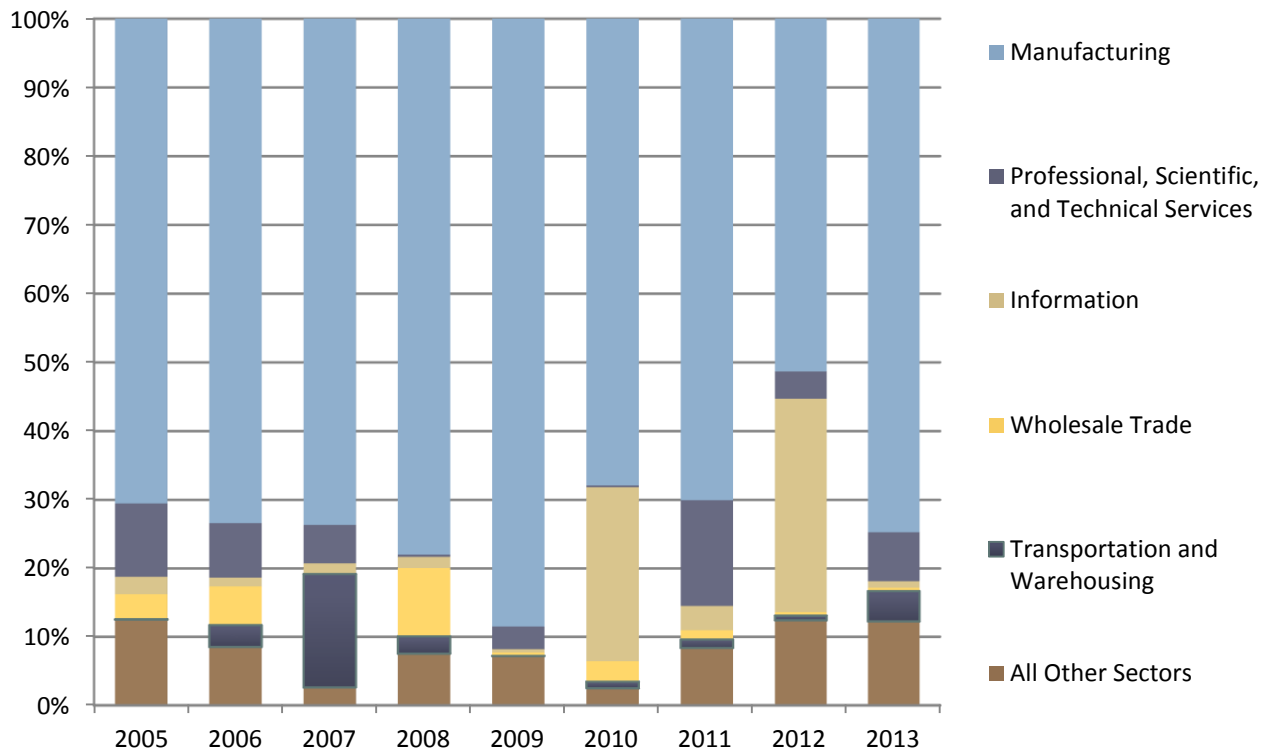
In 2013, 75 percent of announced investment and 50 percent of announced jobs originated from the manufacturing sector. Graph 5 illustrates the ratio of announced job creation by sector since 2005. Graph 6 illustrates the ratio of announced investment by sector.

**Graph 5: Department of Commerce,  
North Carolina Announced Job Creation by Industry**



Source: North Carolina Department of Commerce

**Graph 6: Department of Commerce,  
North Carolina Announced Investment by Industry**



Source: North Carolina Department of Commerce

### Announced Investment and Jobs by County

Appendix A details announced investment and job creation for Department of Commerce economic development projects by county. The counties with the largest populations and workforces consistently had the largest amounts of announced business activity. In all, the Department of Commerce worked on over 1,400 projects that announced capital investment and/or job creation in 92 counties across the state from 2005 through 2013.

### USE OF INCENTIVES BY OTHER STATES

State and local governments and regional and local economic development agencies have developed a variety of tools to support business expansion, aid small businesses and entrepreneurs, and recruit relocating firms. Tax incentives and non-tax discretionary incentives are among the most common of those tools, and are widely used in North Carolina and neighboring states.

This section compares North Carolina's expired Article 3J tax credits to those offered in neighboring states. It also describes the use of incentives in business development and examines their importance in business relocation and expansion decisions. This section notes that while the use of incentives as an economic development tool is commonplace, a broader set of strategies that includes business retention and small business support have also grown in importance.

### Tax Incentive Programs Widely Used in Neighboring States

North Carolina's regional competitors— Georgia, Florida, South Carolina, Tennessee, and Virginia – include statutory incentives in their economic development toolboxes for attracting new companies, investment, and

jobs. The types of tax credits provided through Article 3J to eligible taxpayers in North Carolina—Credit for Job Creation, Credit for Investment in Business Property, and Credit for Real Property Investment—were similar to those offered in neighboring states. Table 6 shows North Carolina’s neighboring states with statutory incentives that are functionally equivalent to North Carolina’s Article 3J.

**Table 6: State Corporate Income Tax Credits Similar to North Carolina’s 3J Credits**

	<b>Job Creation Tax Credit</b>	<b>Capital Investment Tax Credit</b>	<b>Real Property Tax Credit</b>
<b>North Carolina</b>	3J Credit for Creating Jobs	3J Credit for Investing in Business Property	3J Credit for Investment in Real Property
<b>Georgia</b>	Job Tax Credit, Quality Jobs Tax Credit, Mega Project Tax Credit	Investment Tax Credit	N/A
<b>Florida</b>	Enterprise Zone Jobs Tax Credit, Qualified Target Industry Tax Refund, Urban Job Tax Credit, Rural Job Tax Credit, Jobs for the Unemployed Tax Credit, Qualified Defense & Space Contractor Tax Refund	Capital Investment Tax Credit	Enterprise Zone Property Tax Credit
<b>South Carolina</b>	Job Tax Credit, Corporate Headquarters Credit	Economic Impact Zone Investment Credit, Property Investment Credit	Corporate Headquarters Credit
<b>Tennessee</b>	Job Tax Credit, Rural Opportunity Initiative Enhanced Job Tax Credit, Job Tax Super Credit, Headquarters Tax Credit	Industrial Machinery Tax Credit, Data Center Tax Credit	Headquarters Tax Credit
<b>Virginia</b>	Major Business Facility Job Tax Credit, Enterprise Zone Job Creation Grant, Green Job Creation Tax Credit	Recycling Equipment Tax Credit,	Enterprise Zone Real Property Investment Grant

**Job Creation Tax Credit** – Most Southeastern states offer an incentive for job creation but the size, duration, and eligible industries vary. For example, the Qualified Target Industry Tax Refund is Florida’s most widely used job creation incentive. Georgia, on the other hand, has three commonly used job credits: the Quality Job Tax Credit for companies that create jobs that pay wages at least 110% of the county average, the Mega Project Tax Credit for projects making particularly large investments in the state, and the Job Tax Credit which incents businesses differently depending upon the number of jobs a business creates and where those jobs are located.

**Capital Investment Tax Credit** – The goal of these credits is to encourage firms to expand and/or purchase equipment. However, the size and duration of capital investment tax credits differ across states. A common strategy is restricting the length of time a company needs to exist before receiving the incentive. For example, the Tennessee Industrial Machinery Tax Credit is three years, but may be expanded to five years for businesses investing less than \$1 billion and to seven years for businesses investing \$1 billion or more.

**Real Property Tax Credit** – Several states provide incentives for real property investment. These incentives are sometimes tied to capital investment tax credits or are only offered in an enterprise zone (or county tier) program. In Virginia and Florida, for instance, real property credits are associated with enterprise zones – specific, distressed geographic areas targeted for economic revitalization.

**Other Tiered Systems** – Like North Carolina, Georgia and South Carolina determine the size of incentive awards using a county tier system, which ranks counties based upon their level of economic distress.

## **Role of Incentives in the Economic Development Process**

Tax incentives remain a key focus of economic development policy. Area Development magazine's 29th Annual Corporate Survey and 11th Annual Consultant Survey provide insight into the most important factors business executives and consultants consider when making site location decisions.<sup>7</sup> Slightly more than half (55 percent) of executives say their companies have received and utilized incentives in the past. According to the survey, 73 percent of executives felt that incentives were "important" or "very important" when making location decisions. This is down from 82 percent in 2013. Among the particular types of incentives considered, tax incentives (such as tax credits and exemptions) were rated as the most important when making a location decision.

Fifty-four percent of consultants said incentives have always been of great importance to their clients, while 38 percent responded that incentives were more important now than in the past. Of the types of incentives clients considered when making a location decision, 86 percent of consultants believe their clients consider cash grants important. Incentives such as subsidies and infrastructure support ranked second on the list (75%) and tax incentives ranked third (68%).

These findings suggest that tax incentives have become less influential in the site selection process among executives during the past five years, falling from the 3<sup>rd</sup> most important factor in 2011 to the 11<sup>th</sup> most important factor in 2014. Several other factors have consistently taken precedence over incentives, including concerns about poor highway access, lack of skilled labor, and high energy and occupancy costs. This suggests that while tax incentives remain an important factor in states' economic development portfolios, there are other factors that may be more impactful in persuading businesses to locate in North Carolina.

Recognizing the need for a more comprehensive approach to economic development, North Carolina has also made broad use of performance-based discretionary incentives, such as the One North Carolina Fund and the Job Development Investment Grant (JDIG) program. Recent project announcements from North Carolina's competitor states suggest the use of discretionary incentives remains a highly relevant part of economic development decisions. Florida, South Carolina, and Virginia (for instance) all utilize performance-based discretionary grant programs similar to North Carolina's JDIG program. Such programs link grant awards to the jobs and business investment associated with particular projects. In addition to these programs, competitor states also deploy other discretionary incentives, including job retention and job training grants.

Additional information on the types of incentives available for businesses can be found through the Council for Community and Economic Research's *State Business and Incentives Database* (<http://www.stateincentives.org>) This resource is a database of incentive programs used by states to attract businesses and can be searched by program category, program type, geographic focus, and business need.

## **Use of Incentive Increasing or Declining**

North Carolina is certainly not alone in its use of tax credits and discretionary grant programs to support business expansion and recruitment. Nevertheless, it is difficult to determine the extent to which states' use of incentives is increasing or declining. Attempts to aggregate state incentives data have been made. For instance, Good Jobs First has developed Subsidy Tracker (<http://www.goodjobsfirst.org/subsidy-tracker>), which tracks economic development subsidies and other forms of financial assistance across states. However, these data sources are not comprehensive and do not track states' incentives over consistent timelines, making it impossible to truly compare incentive programs across states.

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<sup>7</sup> The surveys included 143 executives, the majority of whom represented manufacturing firms. The number of site consultants was not reported. Available at <http://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2015/annual-corporate-executive-business-expansion-survey-287775.shtml>

And <http://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2015/11th-site-selection-consultants-corporate-RE-survey-8802177.shtml>



Several issues arise when attempting to collect data on state incentive programs. First, the transparency and comprehensive nature of incentives reporting varies significantly across states. Some states report on certain economic development incentives, while neglecting others, resulting in an incomplete picture of incentives use. For instance, Virginia reports on business incentive payments and corporate income tax incentives, but fails to provide information on sales and use tax exemptions. Furthermore, incentives data are not considered public information in every state.

Second, the methodology used to evaluate tax incentives differs widely by state. Some states use tax returns processed from previous years to generate actual costs associated with tax incentives, while other states project future values of tax expenditures. Third, determining what constitutes an economic development incentive is subjective. Most observers would consider cash grants to companies relocating jobs and investment to a particular state to be an economic development incentive. However, other incentives present a more nuanced approach to economic development, such as the exemption of certain business activities from sales taxes or the provision of job training funding to ensure that new or expanding businesses are able to properly staff new operations. Opinions may differ concerning the inclusion of these (and other) types of expenditures in an economic development or business incentives category.

While these factors make it difficult to directly compare incentive programs from one state to the next, it is possible to identify overall trends in the strategies that states are using to spur economic growth. In particular, research conducted by the National Governors Association suggests that six important trends have emerged in state economic development since 2012. These trends are listed below.

1. States are devising broader, regional initiatives through bottom-up strategic planning initiatives.
2. States are fostering job creation from within the state by providing specialized support for start-ups and high growth companies.
3. States are bolstering assistance for advanced manufacturing.
4. States are fostering partnerships between companies and higher education institutions to address industry's talent demands.
5. States are encouraging universities to commercialize their research into patents, products, and companies.
6. States are focusing on how they can help companies connect to new markets and customers outside the United States.

Detailed information about each of these trends can be found here:

<http://www.nga.org/files/live/sites/NGA/files/pdf/2013/1308TopTrendsInStateEconDevPaper.pdf>

## APPENDICES

### APPENDIX A: Announced Investment and Jobs for Dept. of Commerce Economic Development Projects *(investment in thousands)*

	2005		2006		2007		2008		2009		2010		2011		2012		2013	
County	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs
Alamance	\$7,600	190	\$9,700	159	\$33,500	130	\$86,500	81	\$7,000	42	\$12,200	381	\$0	0	\$34,275	399	\$118,000	500
Alexander	\$12,000	65	\$0	0	\$0	0	\$275	65	\$13,900	168	\$0	0	\$0	0	\$0	0	\$0	0
Alleghany	\$0	46	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	15
Anson	\$0	0	\$0	0	\$0	0	\$10,300	87	\$5,500	115	\$0	0	\$0	0	\$0	0	\$0	0
Ashe	\$40,400	307	\$0	0	\$26,000	0	\$0	0	\$0	0	\$0	0	\$4,600	58	\$0	0	\$65,180	105
Avery	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$9,000	25	\$0	0
Beaufort	\$164,407	506	\$5,500	65	\$18,510	293	\$14,000	270	\$1,950	46	\$9,650	738	\$4,000	32	\$15,600	172	\$3,000	159
Bertie	\$500	3	\$0	0	\$0	0	\$0	0	\$500	7	\$0	0	\$7,500	48	\$0	0	\$0	0
Bladen	\$21,950	186	\$81,300	251	\$3,000	120	\$1,500	79	\$0	0	\$0	0	\$0	0	\$0	0	\$15,500	25
Brunswick	\$78,550	135	\$12,000	34	\$52,300	883	\$0	0	\$0	0	\$4,800	8	\$9,500	84	\$33,000	105	\$2,665	93
Buncombe	\$80,000	123	\$30,000	264	\$23,000	220	\$1,700	50	\$9,845	136	\$195,200	780	\$117,446	611	\$205,335	564	\$89,930	183
Burke	\$113,400	761	\$14,050	102	\$19,300	61	\$33,400	243	\$3,750	109	\$7,920	348	\$27,986	301	\$13,300	242	\$10,351	52
Cabarrus	\$200,000	0	\$46,526	712	\$2,150	50	\$15,000	500	\$0	0	\$83,800	246	\$184,550	1,678	\$47,000	200	\$0	0
Caldwell	\$0	380	\$23,100	287	\$15,000	509	\$62,000	872	\$14,385	127	\$19,790	357	\$3,330	68	\$15,660	359	\$52,930	259
Camden	\$0	0	\$0	0	\$6,600	60	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Carteret	\$13,000	60	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Caswell	\$0	0	\$2,100	24	\$500	50	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Catawba	\$52,700	728	\$121,125	745	\$0	0	\$10,940	1,848	\$1,008,500	799	\$24,750	613	\$26,900	505	\$40,205	131	\$3,300	162
Chatham	\$25,500	65	\$0	0	\$1,000	14	\$142,000	104	\$1,000	24	\$2,000	30	\$0	0	\$2,910	86	\$0	0
Cherokee	\$1,000	25	\$0	0	\$19,050	99	\$0	0	\$2,000	40	\$0	0	\$5	28	\$0	0	\$0	0
Chowan	\$3,700	62	\$0	0	\$6,000	41	\$0	0	\$5,400	44	\$1,500	15	\$5,000	46	\$0	0	\$0	0
Clay	\$1,000	10	\$0	0	\$250	15	\$450	12	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Cleveland	\$16,500	60	\$71,240	956	\$8,800	310	\$29,350	222	\$11,979	129	\$342,700	362	\$185,870	102	\$916,300	638	\$70,000	373
Columbus	\$10,200	158	\$32,700	230	\$66,800	74	\$4,060	72	\$4,400	92	\$0	0	\$25,000	38	\$26,600	64	\$15,500	145
Craven	\$24,000	123	\$12,250	237	\$5,000	50	\$12,000	100	\$53,000	6	\$4,700	350	\$52,030	149	\$1,691	38	\$0	0
Cumberland	\$81,100	15	\$3,900	30	\$200,000	50	\$204,500	75	\$117,748	784	\$3,500	3	\$7,000	79	\$63,536	548	\$1,500	119
Currituck	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Dare	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$2,000	71	\$235	4
Davidson	\$12,500	80	\$4,100	200	\$32,700	788	\$1,000	100	\$12,000	328	\$35,900	393	\$2,000	225	\$5,500	10	\$45,555	379
Davie	\$27,000	40	\$10,500	143	\$0	0	\$4,000	24	\$850	128	\$31,700	169	\$55,950	222	\$107,300	750	\$4,900	81
Duplin	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$18,407	94	\$6,000	0	\$0	0	\$0	0
Durham	\$197,500	1,003	\$342,872	1,518	\$102,929	932	\$653,450	493	\$448,283	1,726	\$248,600	1,483	\$226,200	612	\$214,500	332	\$346,050	590
Edgecombe	\$0	0	\$4,410	133	\$7,000	100	\$0	0	\$5,650	155	\$6,600	485	\$142,980	672	\$0	0	\$2,200	29
Forsyth	\$86,950	139	\$26,306	171	\$25,000	24	\$50,358	501	\$65,150	322	\$426,000	392	\$2,620	575	\$286,100	1,270	\$10,600	31
Franklin	\$1,000	10	\$5,500	0	\$28,850	130	\$3,300	10	\$9,100	72	\$0	0	\$0	0	\$11,167	0	\$10,000	821
Gaston	\$209,000	700	\$0	0	\$0	0	\$0	0	\$0	0	\$5,700	41	\$73,500	186	\$7,000	83	\$132,500	125

	2005		2006		2007		2008		2009		2010		2011		2012		2013	
County	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs
Gates	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Graham	\$150	2	\$0	0	\$0	0	\$2,000	205	\$0	0	\$5,400	0	\$0	0	\$980	94	\$0	0
Granville	\$18,000	180	\$0	0	\$50,000	0	\$0	0	\$17,000	42	\$0	0	\$35,000	35	\$0	0	\$0	0
Greene	\$0	0	\$0	0	\$6,465	89	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$12,000	57
Guilford	\$42,189	524	\$117,100	1,165	\$642,700	1,297	\$155,425	1,893	\$80,000	510	\$479,250	542	\$121,400	1,001	\$179,751	1,547	\$142,991	552
Halifax	\$14,100	116	\$1,686	81	\$7,000	65	\$0	0	\$9,000	124	\$65,000	700	\$2,850	54	\$110,000	350	\$4,200	57
Harnett	\$4,200	60	\$0	0	\$2,361	13	\$0	0	\$0	0	\$0	0	\$4,500	112	\$0	0	\$40,000	220
Haywood	\$6,030	82	\$0	0	\$0	0	\$0	0	\$0	0	\$3,500	75	\$12,250	49	\$0	0	\$5,900	80
Henderson	\$24,000	110	\$5,000	50	\$0	0	\$700	30	\$30,157	338	\$0	0	\$5,360	109	\$112,000	170	\$34,292	40
Hertford	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$52,000	53	\$85,000	112	\$2,000	45	\$0	0
Hoke	\$400	50	\$20,700	67	\$112,000	176	\$800	27	\$7,200	40	\$0	0	\$35,000	65	\$29,900	21	\$0	0
Hyde	\$56,078	125	\$0	0	\$0	0	\$0	0	\$3,000	12	\$0	0	\$150	5	\$350	5	\$0	0
Iredell	\$142,000	579	\$8,500	150	\$51,000	203	\$213,428	337	\$8,200	135	\$42,000	237	\$124,100	296	\$95,350	166	\$6,800	76
Jackson	\$0	0	\$0	0	\$0	0	\$0	0	\$16,691	61	\$0	0	\$500	125	\$0	0	\$0	0
Johnston	\$60,500	687	\$7,600	118	\$18,900	20	\$0	0	\$14,500	57	\$198,400	465	\$4,000	43	\$33,000	199	\$102,000	110
Jones	\$0	0	\$2,000	25	\$400	50	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Lee	\$0	0	\$28,000	484	\$20,000	42	\$7,000	10	\$0	0	\$70,892	780	\$15,040	103	\$13,138	76	\$0	0
Lenoir	\$45,400	363	\$4,250	37	\$31,750	340	\$1,035,764	3,063	\$60,400	97	\$12,400	344	\$120,300	338	\$0	0	\$9,500	291
Lincoln	\$52,100	100	\$20,000	181	\$0	0	\$19,500	45	\$0	0	\$16,300	50	\$58,400	372	\$30,345	490	\$39,900	253
Macon	\$0	0	\$0	0	\$3,000	50	\$2,600	32	\$0	0	\$0	0	\$0	0	\$0	0	\$4,000	121
Madison	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Martin	\$0	0	\$600	65	\$4,000	100	\$4,630	310	\$3,000	81	\$0	0	\$0	0	\$7,490	220	\$6,000	90
McDowell	\$12,400	420	\$1,200	25	\$3,250	317	\$4,350	58	\$10,550	201	\$4,910	171	\$23,736	164	\$550	64	\$2,700	89
Mecklenburg	\$100,662	1,730	\$110,850	1,253	\$8,500	849	\$180,590	2,123	\$117,640	4,975	\$453,430	3,133	\$228,502	2,251	\$236,779	1,682	\$272,840	4,719
Mitchell	\$900	206	\$0	0	\$2,300	70	\$0	0	\$0	0	\$0	0	\$0	0	\$1,100	70	\$0	0
Montgomery	\$42,300	77	\$0	0	\$0	0	\$5,500	23	\$100,000	100	\$0	0	\$15,300	146	\$500	50	\$57,862	561
Moore	\$0	0	\$11,662	240	\$4,000	86	\$0	0	\$2,330	72	\$2,700	98	\$0	0	\$1,000	22	\$3,000	35
Nash	\$39,070	1,612	\$73,100	622	\$16,825	155	\$3,350	108	\$0	0	\$0	0	\$0	0	\$89,785	277	\$7,300	74
New Hanover	\$144,000	219	\$136,000	857	\$25,000	25	\$1,174,500	1,097	\$25,000	30	\$0	0	\$15,000	25	\$3,500	30	\$88,300	555
Northampton	\$6,169	43	\$21,500	288	\$0	0	\$212,000	45	\$100	0	\$0	0	\$0	0	\$7,000	42	\$0	0
Onslow	\$12,000	350	\$0	600	\$300	35	\$0	0	\$0	0	\$1,250	30	\$0	0	\$0	0	\$8,400	200
Orange	\$6,780	120	\$1,250	15	\$2,640	25	\$0	0	\$8,500	72	\$0	0	\$3,300	90	\$2,000	25	\$45,000	100
Pamlico	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Pasquotank	\$0	0	\$0	0	\$6,000	124	\$0	0	\$10,000	100	\$2,900	63	\$3,200	10	\$0	0	\$0	0
Pender	\$4,800	55	\$0	0	\$5,000	55	\$3,000	30	\$0	0	\$650	40	\$0	0	\$0	0	\$25,000	120
Perquimans	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Person	\$0	0	\$7,850	130	\$35,200	277	\$0	0	\$900	375	\$191,700	312	\$29,500	120	\$24,100	131	\$45,000	140
Pitt	\$55,000	310	\$90,320	215	\$7,500	165	\$0	0	\$5,700	40	\$0	0	\$16,100	35	\$71,100	40	\$62,433	382
Polk	\$0	0	\$0	0	\$820	28	\$0	0	\$0	0	\$0	0	\$0	0	\$860	25	\$0	0
Randolph	\$78,411	460	\$104,000	171	\$0	0	\$28,000	222	\$900	20	\$169,300	530	\$30,200	144	\$0	0	\$16,500	130
Richmond	\$5,000	67	\$73,500	225	\$45,000	212	\$32,000	42	\$5,125	189	\$19,000	250	\$2,000	64	\$6,675	122	\$0	0

	2005		2006		2007		2008		2009		2010		2011		2012		2013	
County	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs	Investment	Jobs
Robeson	\$41,100	840	\$37,250	463	\$21,200	205	\$13,500	187	\$750	25	\$30,786	306	\$4,500	342	\$0	0	\$38,687	451
Rockingham	\$49,600	275	\$35,800	267	\$115,113	389	\$5,400	37	\$3,840	45	\$42,200	245	\$10,417	249	\$7,400	55	\$40,000	517
Rowan	\$2,000	135	\$31,000	752	\$82,000	45	\$600	46	\$49,224	529	\$30,800	387	\$63,600	114	\$71,108	1,579	\$242,500	476
Rutherford	\$8,900	97	\$8,168	551	\$27,155	254	\$3,100	1,300	\$5,000	55	\$463,497	95	\$364,300	601	\$19,200	707	\$10,637	76
Sampson	\$1,650	30	\$775	10	\$4,200	130	\$200,000	100	\$0	0	\$12,511	65	\$12,250	128	\$4,250	90	\$163,000	65
Scotland	\$23,125	58	\$0	0	\$0	0	\$19,300	175	\$13,200	133	\$600	45	\$24,000	41	\$59,650	187	\$34,400	122
Stanly	\$0	0	\$9,000	87	\$0	0	\$21,400	182	\$0	0	\$11,300	74	\$4,400	197	\$0	0	\$3,800	25
Stokes	\$0	0	\$0	0	\$71,000	65	\$30,000	0	\$0	0	\$0	0	\$0	0	\$0	0	\$1,000	5
Surry	\$34,500	238	\$5,200	146	\$0	0	\$140,030	82	\$10,895	351	\$4,500	38	\$100,103	443	\$8,420	45	\$23,500	160
Swain	\$0	0	\$0	0	\$0	0	\$0	20	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Transylvania	\$20,000	110	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$500	15	\$18,000	105	\$0	0
Tyrrell	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Union	\$0	0	\$41,760	451	\$267,900	347	\$4,000	4	\$600	5	\$27,350	101	\$2,200	24	\$2,300	36	\$0	0
Vance	\$9,300	220	\$2,000	100	\$1,750	18	\$16,000	5	\$2,314	345	\$3,000	152	\$89,700	256	\$0	0	\$0	0
Wake	\$218,440	1,037	\$473,900	3,628	\$143,700	3,036	\$120,050	1,498	\$430,400	1,966	\$47,110	491	\$143,400	956	\$89,950	1,237	\$117,278	2,865
Warren	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Washington	\$250	1	\$0	0	\$0	0	\$0	0	\$5,330	144	\$0	0	\$0	0	\$0	0	\$0	0
Watauga	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$1,080	10	\$0	0	\$0	0
Wayne	\$11,500	436	\$6,200	182	\$2,000	58	\$7,875	122	\$0	0	\$0	0	\$17,914	137	\$3,000	44	\$16,700	96
Wilkes	\$1,500	42	\$4,000	0	\$0	0	\$3,000	12	\$0	0	\$28,800	200	\$4,800	114	\$16,350	339	\$7,959	226
Wilson	\$6,300	84	\$50,300	884	\$5,300	123	\$108,000	92	\$0	0	\$0	0	\$15,400	85	\$60,458	32	\$59,000	100
Yadkin	\$0	0	\$0	0	\$13,000	170	\$7,000	120	\$27,000	172	\$8,000	20	\$48,700	285	\$0	0	\$0	0
Yancey	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
<b>Totals</b>	<b>\$2,882,261</b>	<b>18,230</b>	<b>\$2,411,199</b>	<b>20,846</b>	<b>\$2,569,468</b>	<b>14,711</b>	<b>\$5,124,475</b>	<b>19,490</b>	<b>\$2,886,336</b>	<b>16,840</b>	<b>\$3,986,852</b>	<b>17,380</b>	<b>\$3,067,918</b>	<b>16,184</b>	<b>\$3,477,317</b>	<b>16,506</b>	<b>\$2,800,272</b>	<b>18,486</b>

Source: North Carolina Department of Commerce, Business & Industry Division

## **APPENDIX B: Legislative Requirements for Tax Credits for Growing Businesses Act**

### **§ 105-129.82. (See notes) Sunset; studies.**

- (a) Sunset. – This Article is repealed effective for business activities that occur on or after January 1, 2014.
- (b) Equity Study. – The Department of Commerce shall study the effect of the tax incentives provided in this Article on tax equity. This study shall include the following:
  - (1) Reexamining the formula in G.S. 143B-437.08 used to define development tiers, to include consideration of alternative measures for more equitable treatment of counties in similar economic circumstances.
  - (2) Considering whether the assignment of tiers and the applicable thresholds are equitable for smaller counties.
  - (3) Compiling any available data on whether expanding North Carolina businesses receive fewer benefits than out-of-State businesses that locate to North Carolina.
- (c) Impact Study. – The Department of Commerce shall study the effectiveness of the tax incentives provided in this Article. This study shall include:
  - (1) Studying the distribution of tax incentives across new and expanding businesses and industries.
  - (2) Examining data on economic recruitment for the period from 2005 through the most recent year for which data are available by county, by industry type, by size of investment, and by number of jobs, and other relevant information to determine the pattern of business locations and expansions before and after the enactment of this Article.
  - (3) Measuring the direct costs and benefits of the tax incentives.
  - (4) Compiling available information on the current use of incentives by other states and whether that use is increasing or declining.
- (d) Report. – The Department of Commerce shall report the results of these studies and its recommendations to the General Assembly biennially with the first report due by June 1, 2009. (2006-252, s. 1.1; 2010-147, s. 1.1; 2012-36, s. 5.)